



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

RQ-2

Mrs. Elizabeth Smith, Treasurer
The Madison Project Inc.
P.O. Box 176
Lincoln, VA 20160

SEP 11 2002

Identification Number: C00298000

Reference: Amended Mid-Year Report (1/1/01-6/30/01), received 6/17/02 and
Amended Year End Report (7/1/01-12/31/01), received 6/17/02

Dear Mrs. Smith:

This letter is prompted by the Commission's preliminary review of the report(s) referenced above. The review raised questions concerning certain information contained in the report(s). An itemization follows:

-Your report discloses a transfer(s) for "Overhead Expenses" to the Madison Project State Account which appears to be a non-federal account of your committee. Please be advised, committees that make disbursements in connection with federal and non-federal elections and have established separate federal and non-federal accounts must allocate their expenses pursuant to 11 CFR §§106.5 and 106.6.

Further, 11 CFR §§106.5 and 106.6 prohibits a committee's federal account from reimbursing its non-federal account for shared allocable expenses. Also, the non-federal account is prohibited from paying the federal account's share of these expenses. These types of shared costs must be paid according to the allocation ratio derived from the appropriate method on Schedule H1.

If the transfer(s) in question was incompletely or incorrectly disclosed, you should amend your original report with clarifying information. If your non-federal account has paid any expenditures which should have been allocated, you are advised to correct any non-compliance with 11 CFR §106.5 and 106.6 and establish procedures to insure future compliance with